

AHCF&P Committee Meeting

October 26, 2006

Minutes of the Meeting

Academic Health Center Finance and Planning Committee

These minutes reflect discussion and debate at a meeting of a committee of The Academic Health Center Faculty Consultation Committee: none of the comments, conclusions, or actions reported in these minutes represents the views of, nor are they binding on, the Senate or Twin Cities Campus Delegation, the Administration, or the Board of Regents.

Present: Dan Feeney (chair), Beth Nunnally (Ex-officio), Yusuf Abul-Hajj, Helen Hansen, Paul Olin, and Timothy Walseth

Regrets: Tim Church

In these minutes: {Discussion of FY07 Budget Model Presentation to AHC Deans Council, and summary of cost pool increases for FY07}

Beth Nunnally led discussion of the new budget model using the Report to the Deans Council January 2006 to facilitate the conversation. She began by stressing that the budget model does not drive strategic priorities or set policy and procedure, it does not determine how deans and vice presidents priorities initiatives across the University. The budget model is a mechanism for attributing resources and attributing expenses.

- The working principles of the budget model were then reviewed and are found below as taken from the document.

1. **Mission and Goals:** The model should encourage behaviors that support the University's mission and goal to be one of the top three public research Universities in the world and the actions and strategies necessary to achieve that goal.
2. **Transparency:** model should make budget decisions related to subsidies, investments, reallocations, etc., transparent and acknowledge that no units are "tubs-on-their-own-bottoms".
3. **Efficiency/Cost Control –** Model should optimize the use of the University's physical, financial and technological resources: encourage excellence, service and continuous improvement; and provide clear incentives for members of the University community to control costs.
4. **Revenue Enhancement –** Model should provide incentives where appropriate to enhance revenues.
5. **Simplicity –** Model should be as simple as possible to understand and administer.
6. **Predictability –**Model should result in predictable rules, consistent application of policies and clear outcomes.
7. **Adaptability –** Model should be responsive to external "shocks".
8. **Central Investment –** Model should support the ability of the President to "steer the ship" through reallocations and central investments.
9. **Information Rich –** Model should foster an all-funds discussion using detailed information related to true costs and service levels and provide good information to support fact-based decision making at all levels of the University.
10. **Implementation –** Model should be as easy to implement as possible.
11. **Risk –** The model should place the management of financial risk at the level of the institution that can best control the contributing factors and act to address them.
 - The committee discussed specific points related to the working principles and pointed out that there should be no unexpected assessments from one year to the next and the model is intended to put responsibility and risk at the local level.

- The committee went on to discuss the remainder of the report highlighting the following salient points:
 - Tuition continues to be attributed as it was set up under the prior budget with 100% allocated from Central to academic units. The allocation is divided with 25% appropriated to the college of official registration and 75% to the college providing instruction.
 - The U of M Fee, will no longer be retained by central, but rather attributed to units at 100%.
 - Facilities and Administrative Cost Recovery (F&A), formerly known as Indirect Cost Recovery (ICR), will now be attributed to units at a rate of 100%. Previously 50% ICR was held by Central and used for centrally managed costs, such as utilities and libraries. These costs have now been shifted to the unit level. Costs previously managed at the central level have been packaged into one of the nine cost pools listed below:
 - Utilities
 - Facilities Operations & Maintenance
 - Debt and Leases
 - Libraries (A blended head count)
 - Research
 - Information Technology
 - Student Services
 - Central Administration Units
 - General Purpose Classrooms (allocated on course registration)
- The costs for the AHC units noted below are also included in the F&A pools:
- AHC Office of Research
 - AHC AIS (Non ISO)
 - AHC Office of Education (Core)
 - AHC – Office of Senior Vice President
 - AHC Facilities
 - AHC Communications
 - AHC Legal
 - AHC Classroom Scheduling
- The program centers that do not reside within any particular AHC college but do come under the umbrella of the AHC will be treated the same way as colleges and academic programs under the new budget.
 - A decision has not been made as to the percentage of fringe costs related to compensation. Determining a fair rate of percentage to cover social security, vacation, life insurance, and disability continues across all ranges is a complex issue.
 - There are overlapping usage fees between HR, Libraries, and IT that require dollars to be moved between these units. In order to determine the proper cost allocation of each of these units a bonafide cost allocation methodology referred to as a “double step down” is used in the budget model. The double steps down allocations are not as transparent as the other parts of the model, but are necessary to determining fair and accurate allocations.
 - Transition to the new budget model was rolled out as revenue neutral, meaning no unit was disadvantaged when moving the FY06 dollars to the FY07 budget. The increase to unit revenues by dollars previously held in Central and the increase to unit cost allocations for F&A cost pool expenses were equal dollar amounts for FY07. For the AHC that number was \$33,100,000.
 - Components of the Administrative Pool Costs were examined
 - Mapping for Compact and Budget decisions was discussed.

Beth Nunnally then distributed a report summarizing the system cost pool increases for FY07. The

committee reviewed and discussed the data for tracking expenses to each of the nine system-wide cost pools (noted above).

The committee made plans to review the each of the AHC compacts and continue discussion of AHC practice plans at the next meeting.

Hearing no further business Professor Feeney adjourned the meeting at 6:00 pm.

Sara Balick
University Senate